

"A man is  
great by  
deeds, not by  
birth"

-Chanakya

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INDIAN INSTITUTE OF MANAGEMENT KOZHIKODE



Case Study

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**Monetary policy during double supply shocks:  
Inflation targeting under peril?**

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## **Monetary policy during double supply shocks: Inflation targeting under peril?**

### **Abstract:**

On Feb 2022, Russia launched an invasion on Ukraine. The war will have significant implications to the economy of whole world in terms of price stability, financial stability, especially in the midst of a recovery from COVID-19 pandemic. Particularly to developing country like India, the spill-over effects of the war is immense including high inflation, lower growth, depreciating currency and poor inflow of FDI fund.

The current crisis was a reminiscent of the high inflationary and low growth phase of economy during 2012-14. Has the inflation targeting framework developed after the high inflationary period worked well? Why the inflation is back ? Is there a devaluation inflation spiral as experienced in 2013? What kind of monetary policy should RBI do to overcome the crisis? What is the role of forex reserves in mitigating the crisis and how differently it can play a role in 2022?

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